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ABSTRACT

This report examines a typical case of a small town within a predominantly rural county losing its largest employer of many years. During 1992-95, over 850 workers were laid off in Cortland, New York, as Smith-Corona Corporation transferred its manufacturing operations from Cortland to Tijuana, Mexico. Interviews with laid-off workers, conducted during 1993-96, indicate that the relocation created significant short- and long-term economic and noneconomic losses for workers. Post-layoff assistance included unemployment compensation, severance pay, financial support for attending technical school or college or obtaining a high school equivalency diploma, and job search counseling. Despite this assistance, the majority of workers' new jobs paid them less, with women workers losing a larger percentage of their income. The plant closing also adversely affected noneconomic aspects of workers lives in the form of health problems, family conflicts, and children's behavior problems. These very significant impacts were not compensated by the private sector or the government. The findings are discussed in relation to the negative impacts of globalization on workers and their families, disproportionate losses suffered by women, deficiencies of an education and retraining policy focused outside the workplace, the compounding of layoff impacts by a stagnant or deteriorating rural economy, the patchwork nature of federal programs for dislocated workers, and the need for more comprehensive federal and state policies to assist such workers. (Author/SV)

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Executive Summary
The relocation of Smith-Corona's factory from Cortland, New York, to Tijuana, Mexico (begun in 1992) created significant short and long term economic and non-economic losses for workers. Despite post lay-off assistance, educational programs and retraining, the majority of workers' new jobs paid them less, with women workers losing a larger percentage of their income. The plant closing also adversely affected the non-economic dimensions of workers' lives, their families and their communities, impacts that—while very significant—were not adequately compensated for by the private sector and the government.

Introduction
The increasing globalization of production and the intensification of this process through trade liberalization schemes have created new challenges for local economic development. In the early 1990s, it was estimated that each year approximately one million experienced workers in the United States lost their jobs due to business closures and permanent layoffs, many of them due to increasing competition from imports and relocation of production. More recent estimates have increased this figure to two million permanently displaced full-time workers.

With the implementation of NAFTA, shifts of production to Mexico for the purpose of taking advantage of the much lower labor and other costs across the border have taken place even among profitable firms. This was the case with Smith-Corona Corporation, the typewriter manufacturer that, on July 21, 1992, announced its decision to transfer its manufacturing operations from Cortland, NY, to Tijuana, Mexico. The announcement was the last of a series of moves during the previous decade which reduced the firm's workforce from its peak of 5,000 in the 1960s to 4,000 in 1981 and about 1,200 at the time of the announcement. Despite its large size and strong weight within the local community, the firm was not unionized. The decision to relocate seems to have been related to a variety of factors, including the firm's relatively poor competitive position, a long period of litigation over dumping practices with Brother Industries (the Japanese firm that had been Smith-Corona's strongest competitor) and the possibilities offered by the implementation of NAFTA. However, the decisive factor seems to have been the expectation of savings in labor costs, estimated at $15 million annually. During the three years that followed, over 850 workers were gradually laid off as operations were transferred to Mexico. The firm at Cortland retained only the employees working on marketing and sales operations.

In many ways this was a typical case of a small town of 20,000 people within a predominantly rural county losing its largest employer of many years. Cortland's per capita income was $15,930 in 1992, increasing to $16,256 in 1995, but average wages and salaries decreased from $20,487 in 1992 to $18,487 in 1995 (in constant 1992 dollars). The purpose of this study was to assess the impact of layoffs on the workers.

The Study and Results
The main data collection method used for this study consisted of two standardized questionnaires which were administered either in person or (in some cases for the second questionnaire) over the telephone. Interviews for the first questionnaire were conducted from the fall of 1993 to the summer of 1995. At this time, a sample of 159 former Smith-Corona employees, representing 18.7% of the total laid-off workforce, was obtained. Interviews for the second questionnaire were conducted from the fall of 1995 to the fall of 1996. Approximately two thirds of those interviewed were women. Over 40 % of all workers in the sample had a high school degree, 43% had a two or four year college education, and 10 % had primary school only. The most typical Smith-Corona worker was Caucasian, married or living with a partner, and female. The average age of respondents was 47, with many years of experience (an average of 22) working at Smith-Corona.

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Following the requirements of the 1988 Worker Adjustment and Retraining Notification Act (WARN), laid-off workers were given a sixty-day notice. Most workers also received unemployment compensation as well as severance pay. The large majority of them benefited from the provisions of the 1974 Trade Adjustment Assistance (TAA) Act which provided Trade Readjustment Allowances (TRA) funds for eligible workers. About two thirds of them were able to further their education, attending technical schools or colleges or obtaining their high school equivalency diploma (GED).

Various local agencies provided assistance. A Smith-Corona Transition Center—established with a New York State grant—was set up to deal with the tensions created by the announcement of relocation and layoffs and to facilitate the labor market transitions. Local and state educational institutions provided the initial contacts and location for most recipients selected for their first training since layoff. They included the local community college and the New York State Board of Cooperative Educational Services (BOCES). Search counseling was also provided to nearly half of all workers interviewed and a smaller number also received job placement assistance. While some workers did not find this aid advantageous, many others felt these institutions provided helpful assistance.

The picture emerging from this information is that of a community that mobilized itself to deal with the shock and pain caused by the massive layoffs; there was a concerted effort to take action, even if limited by the constraints of the available federal, state and local resources. The results, as reported below, were mixed.

Post-Layoff Employment History

The findings tell a story of a difficult labor market transition for many workers. Although there were exceptions, the majority of workers had to face significant short and long term economic and non-economic costs of relocation.

Most workers decided to search for a job immediately after being laid off. On the average, the length of unemployment was longer for women (11.8 weeks) than for men (9.5 weeks). The first job after layoff tended to be of short duration for most workers (between 7-8 months). This probably reflected the rush to take the first offer followed by further search for a better job, but also the precarious nature of the jobs found. Over half of the relocated workers were employed in the service sector at the time of the second interview, with manufacturing absorbing less then 30%, followed by retail trade. This clearly follows the general pattern of post-industrial society, showing a shift from manufacturing to other sectors, particularly services, as a result of relocation.

Almost half of the workers interviewed pursued a college degree as part of the post-layoff assistance, and half of them actually completed studies. Training took place mostly in the Cortland area. Sources of post-layoff support for training and other expenses included transitional TRA funds, unemployment compensation, and combinations of both.

Despite these efforts to upgrade their skills, large earnings and skill losses affected a majority of workers. The magnitude of economic dislocation due to the Smith-Corona layoffs was dramatic, with 42% of workers shifting into lower-income brackets ($0 - $19,999). Thus, instead of observing a return to individual income levels reported before the Smith-Corona layoffs, we found a strong and widening divergence from the original income distribution. The tendency reflects the typical polarization of income observed throughout the U.S. economy in recent times, illustrating a problem of "skidding" or downward job mobility. This can be an indication of either an insufficient demand to absorb existing skills or of a mismatch between the skills supplied and demanded in the area. At the same time, about 22 % of the workers indicated that the skill level required in the new placement was higher than at Smith-Corona. However, only 2% of the workers interviewed moved to a higher income bracket.

Women suffered the greatest income percentage losses. The average annual loss of earnings per worker was $8,147. In absolute numbers, men lost more than women did ($8,917 and $7,727 respectively). However, given that women's earnings at Smith-Corona were lower than men's, women lost a larger proportion of their former income (26% and 35% respectively).

These greater losses occurred despite women having a higher degree of participation in training than men. This might reflect the fact that the training women received was gendered in various ways. For example, some of the courses channeled women towards care work, such as human services and childcare. Men's courses tended to be of the type normally viewed as more appropriate for them, such as chemistry, sales and computer courses. The list, however, shows a wider range of courses taken by women, probably reflecting an effort on their part to not limit themselves to traditionally female activities.

Post-Layoff Adjustment Difficulties

The initial shock and painful effects of massive layoffs described by the existing literature for other cases apply to the case of Smith-Corona. Despite the efforts at making the transition smooth, the impact went beyond individual income losses and their multiplier effects. There were also short and longer term negative consequences for workers, their households and their communities. These are important to identify for future preventive measures and state/federal policies. Additional costs included health problems

(high blood pressure, headaches, stomach problems, depression and anxiety), economic hardships (difficulty paying bills and meeting mortgage payments), family conflicts (tension and arguments, children's behavior problems), and different types of budget and other adjustments requiring household coping-strategies. Reflecting their role in family care and domestic work, women, more than men, reported financial problems and family tensions. The information we gathered reinforces the general consensus from studies showing that unemployment has a negative impact on mental and physical health, particularly for women and less-educated workers.

All of this points to the ways in which the process of adjustment is lived at the individual, the household and—since these problems are not contained within these spheres—the community level. It also illustrates the extent to which the negative effects of unemployment include much more than income losses. Few studies in the United States have focused on the household adjustments resulting from the transition after layoffs. The picture emerging from our study is that a comprehensive policy should take into consideration these different levels of adjustment.

Concluding Comments and Policy Implications

Our findings either confirm the general trends reported by other studies or they provide new information on the different dimensions of dislocation:

a. As market deregulation, trade liberalization and globalization proceed, the costs associated with layoffs are disproportionately borne by the dislocated workers and their households and communities. If we can justify these processes on the basis of their benefits for the winners (particularly employers and perhaps consumers) we should find ways to compensate those who lose out. To be sure, different countries have addressed these problems in different ways and they can learn from each other about best practices. However, at the community level where the layoffs take place, we have no systematic and comprehensive ways to estimate and compensate for the different layers of losses resulting from relocation of production.

b. The Smith-Corona layoff illustrates the general pattern observed in the United States since the 1970s: the ways in which plant closings result in the flexibilization of the labor market but with negative consequences for the workers involved. From a situation of stable employment, job tenure and a sense of community highly connected with the firm's employment, relocated workers are faced with a much less stable job market, declining job security, diminishing career opportunities and little social protection. Here, too, it is important to emphasize the fact that labor market flexibilization can affect women disproportionately—as individual workers and as household members with a special responsibility for family wellbeing. This implies that policies addressing the problems associated with the transition should incorporate measures dealing with women's specific needs.

c. Our study illustrates the extent of income losses for the dislocated workers and documents the increasing wage inequalities associated with current labor market dynamics. Although many of the Smith-Corona workers found new jobs, relocation was associated with a dramatic polarization of income: although over a fifth among them were able to find jobs that required higher skills, a high proportion experienced a dramatic deterioration in their labor market position and income level. Women in particular suffered disproportionate losses despite their effort at acquiring new skills through training. This is consistent with conclusions from other studies. Again, this points to the need to take gender into consideration in the design and implementation of compensatory policies.

d. Given the significant proportion of workers that made use of TAA funds to further their training, the losses in income are particularly disappointing. Here, too, women can be pointed out as the clearest illustration. Our study supports those who argue that the problem is on the demand side since the (upgraded) skills supplied by the workers were not met by a labor demand rewarding them accordingly. It also reinforces the arguments of those who have criticized the "labor shortage" view of the labor market. The implication is that the focus on education and training policy outside of the workplace might be misdirected. Instead, the alternative high-skill path proposed focuses on work reorganization and technological change at the workplace which would increase workers' productivity. Smith-Corona, for example, could have followed this path instead of moving to Tijuana since higher worker productivity would have reduced labor costs and increase Smith-Corona's market competitiveness. This so-called "high road path" to development contrasts with the "low path" that results from the search for low wages domestically and globally and is associated with many layoffs.

e. In the case of Cortland, the demand-side problem is reinforced by its location in a rural area with a stagnating or deteriorating economy. Earnings losses can be substantially larger when a "congestion effect" operates due to a large number of workers searching for a job in a small labor market. Dislocated workers are faced with the choice between a local job representing downward mobility and searching outside the area. It is no surprise that, comparing the first and second interviews, we found that the proportion of workers looking for jobs outside the area had increased. This points to the importance of local initiatives, perhaps with help from the state and federal level, to reinvigorate investment and local economic development.

f. In terms of policy, we must first emphasize the well-known fact that, in the United States, most structural adjustment efforts such as plant relocation and downsizing take place with little or no public intervention. Among highly industrialized countries, the U.S. provides the least amount of aid for unemployed workers in transition from layoffs; some countries provide their workers with a stable, nationwide employment and training system while most others now actively address labor market issues. Second, the U.S. has accumulated a series of legislative initiatives to deal with the costs of relocation which, according to the Government Accounting Office, represent "a patchwork of federal programs with similar goals, conflicting requirements, overlapping populations and questionable outcomes." There are, for example, over 150 different programs that provide job training assistance. One example of recent legislation is the Working Americans Opportunity Act (WAOA), recently drafted by Congress. This act, which focuses on worker training, consolidates previous federal job training programs and provides job training vouchers and one-stop career centers. WAOA's narrow scope thus points to the urgent need for a comprehensive policy focusing on different levels of adjustment, i.e., not just on the individual workers but also on their households and the community.

g. At the state level, many training programs and local experiments have been tested. They provide an array of lessons—regarding state government vs. community college-based programs as well as joint labor/management training systems—that could be incorporated in more comprehensive federal/state policies. Our study shows that the programs functioning at the state level were useful for workers; the missing aspect identified by our study is a greater awareness of the gender dimensions of training so as to avoid gender stereotypes and to compensate for women's disproportionate losses.

Without policies that address the broad impacts of economic dislocation and the complex and diverse needs it generates, accelerating economic globalization will result in the increasing destabilization of life in many communities.

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This study, with footnotes, citations and a more extensive bibliography, can be downloaded from CaRDI's web site at:
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